

ABCs of TIF

Tax Increment Financing (TIF) is the City of Chicago's most effective tool for initiating vital public works and economic development projects in local neighborhoods. Adopted in 1984 to compensate for drastic declines in federal funding for inner-city redevelopment initiatives, TIF is a tax reimbursement incentive used in designated districts to help finance improvements to private and public properties. By reimbursing businesses and other entities with the increased property tax revenues that result from their investments, and by providing funds for public projects that lack alternative forms of financing, TIF is able to initiate important community improvements that wouldn't otherwise occur.

Assistance for sister agencies

While TIF is primarily targeted for public works and economic development purposes, TIF assists local taxing agencies by helping to finance projects that they cannot finance independently. Primary benefactors include Chicago Public Schools, City Colleges of Chicago and the Chicago Park District, as well as other important agencies, such as the Chicago Housing Authority and Chicago Transit Authority.

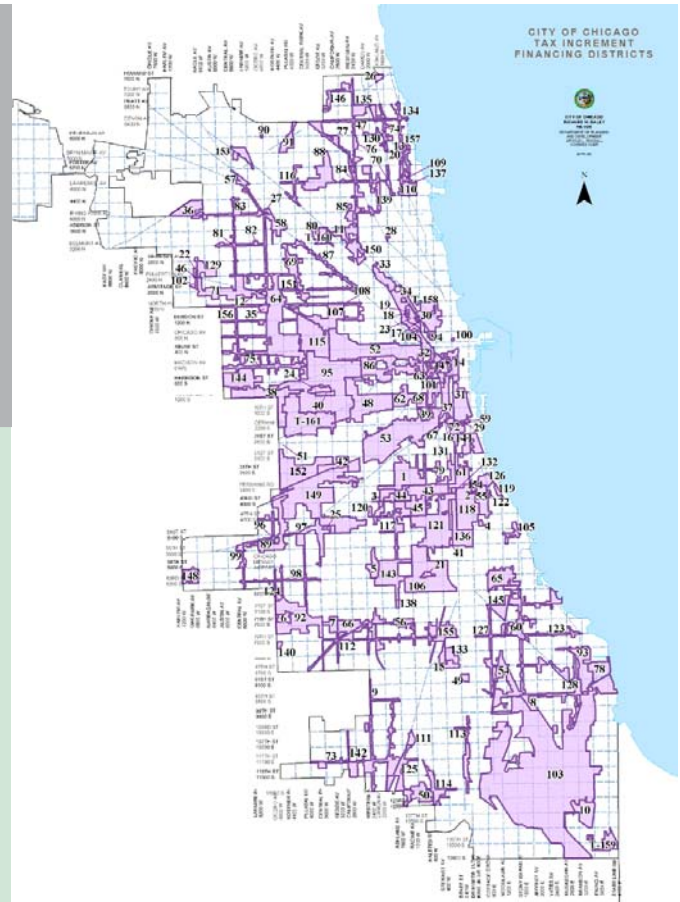
The agencies' budgets are not affected by the diversion of new tax growth for local projects because the agencies establish their financial requirements based on their annual needs and goals, not on property tax collections.

As the life of each TIF concludes, the agencies receive all of the districts' property taxes, at levels projected to far exceed amounts had the TIF never been created.

Local tax dollars for targeted improvements

During the life of a TIF district, new property tax growth within its borders is used to fund local improvements. For most private redevelopment projects, the taxes are derived from the parcels that receive the improvements. As the parcels generate new taxes, developers are reimbursed with a portion of the proceeds depending on the scope of their redevelopment agreement with the city. Only new incremental tax growth is allocated for improvement projects; property tax levels recorded at the district's inception continue to fund the annual budgets of more than a half dozen taxing agencies.

TIF dollars are provided to private developers in one of two ways. The most common method is in annual reimbursements over a period of 10 to 20 years. The exact amount is based on a percentage of property tax proceeds generated by the redevelopment site. Over the period, the business being reimbursed is audited to ensure it continues to meet the conditions of its redevelopment agreement.



TIF is a resource for local economic development and public improvements in neighborhoods throughout Chicago.

TIF subsidiary programs

Due to TIF's success in promoting community improvements, several subsidiary programs have been created to enable wider participation. Typically designed for smaller projects, several subsidiary TIF programs are available in designated districts citywide. Redevelopment agreements involving all TIF-derived assistance programs are subject to project eligibility and City Council approval.

- + The Small Business Improvement Fund (SBIF)
- + The Neighborhood Improvement Program (TIF-NIP)
- + Green Roof Improvement Fund (GRIF)
- + The Riverfront Improvement Fund (RIP)
- + TIFWorks
- + Streamlined-TIF

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TIF FAQ

Frequently Asked Questions related to the Department of Community Development's Tax Increment Financing (TIF) program:

Q: How is a TIF district created and how many are there?

A: For every TIF proposed, an eligibility study is prepared by an outside firm; community meetings are held; and public hearings take place before the Community Development Commission, Chicago Plan Commission and the City Council. At the close of 2009, there will be 159 TIF districts in the City.

Q: Is it true that TIF dollars only go to big downtown projects and not other areas in the City?

A: No. Areas where TIF districts are designated are often characterized by population losses, business stagnation, building disrepair, disinvestment and other negative influences. Many of the newly created and retained jobs each year are the result of redevelopment agreements involving TIF. The City dedicates a significant amount of TIF funding to help residents maintain their homes affordably, since it is important to preserve existing housing and keep it affordable for homeowners. The TIF/Neighborhood Improvement Program (TIF/NIP) has 1999 provided \$17.9 million in TIF to help 2,687 units in 17 communities across the city. In addition, since 2001, TIF funds have helped more than 400 businesses in more than 40 TIF districts with more than \$13 million in grants through the Small Business Improvement Fund (SBIF).

Q: How do TIF dollars work with the private sector to benefit a community?

A: Chicago's TIFs have provided \$1.5 billion in TIF assistance to reimburse private developers for eligible costs, such as rehabilitation of existing buildings, land acquisition, site preparation, and environmental remediation. In return, the private sector has invested more than \$8.4 billion in their neighborhood development

projects. That's \$6 of private investment for every \$1 of TIF funds invested.

Q: Do TIF districts create jobs and help provide job training?

A: Yes. The TIFWorks program specifically stimulates business success by funding workforce training costs—for incumbent and new workers—for companies located in TIF districts. With TIFWorks support, businesses become better equipped to achieve their goals, from improving performance and productivity to expanding product lines and gaining new customers. A business may be eligible if:

- Located in an eligible TIF district
- Training will make them more competitive
- Training fulfills a specific workforce need
- The business is willing to set measurable goals and report on impact and performance after training.

In 2009, 38 TIFWorks projects have been awarded \$2.9 million. The projects serve 54 businesses training 2,309 workers and 138 new employees. In 2008, there were 58 active TIFWorks projects awarded \$3.9 million for 3,105 workers trained and 200 workers hired.

Q: Do TIF districts take money away from local parks and schools?

A: No. Expenditures for public improvements, like street and sidewalk repairs as well as parks and open space, account for nearly one-third of TIF expenditures. Additionally, the City has made a long term commitment to provide \$876 million to rehabilitate or construct new public schools located in TIF districts. Further, school districts continue to receive all the tax revenue they were entitled to *before* the creation of the TIF district.

Q: Do TIF districts raise taxes?

A: No. Homeowners and businesses may see an increase in their property taxes, but only in proportion to the increase in the value of their property—the same if they were not in a TIF district. Further, TIF helps grow the City's overall tax base – and therefore helps keep everyone's taxes lower – by bringing new properties and new businesses onto the tax rolls that would otherwise not exist.

For more information about City of Chicago's Tax Increment Financing program, please visit the Department of Community Development's web site at cityofchicago.org.